

# LABOR

## **0559 Secretary for Labor and Workforce Development Agency**

The Labor and Workforce Development Agency brings together the departments, boards, and commissions that train, protect, and provide benefits, such as unemployment insurance and workers' compensation, to employees and employers of California. The Labor and Workforce Development Agency includes the Department of Industrial Relations, the Employment Development Department, the Agricultural Labor Relations Board (the Agriculture Labor Relations Board is heard by Senate Budget Subcommittee #2 on Resources, Environmental Protection and Energy), and the Workforce Investment Board. The Agency provides policy and enforcement coordination of California's labor and employment programs and policy and budget direction for the departments and boards.

The Governor proposes \$2.2 million (reimbursements and special funds) and 14.2 positions for the Office of the Secretary, a decrease of \$135,000 with no change in positions. The Administration did not submit any budget change proposals for the Agency.

## **7100 Employment Development Department**

The Employment Development Department (EDD) administers services to employers, employees, and job seekers. The EDD pays benefits to eligible workers who become unemployed or disabled, collects payroll taxes, administers the Family Leave Program, and assists job seekers by providing employment and training programs. In addition, the EDD collects and provides comprehensive labor market information concerning California's workforce.

The Governor proposes \$10.8 billion (\$44.3 million General Fund) and 8,739.4 positions, a decrease of \$332.0 million (3.0 percent) and 242.8 positions. However, the current-year benefit estimates include a 10 percent or \$880 million "buffer"; no buffer is included for 2007-08.

<b>Expenditure by Program</b> (dollars in thousands)	2006-07	2007-08	\$ Change	% Change
Employment & Employment Services	\$181,852	\$153,065	-\$28,787	-15.8
Tax Collections & Benefit Payment				
State Operations	632,749	633,923	1,174	0.2
Disability Insurance Payments*	4,427,751	4,306,570	-121,181	-2.7
Unemployment Insurance Payments*	5,176,629	5,023,681	-152,948	-3.0
School Employees Payments*	87,170	79,181	-7,989	-9.2
Unemployment Insurance Appeals Board	73,008	74,533	1,525	2.1
Administration	54,971	57,259	2,288	4.2
Distributed Administration	(51,194)	(51,194)	0	0.0
Employment Training Panel	53,711	53,939	228	0.4
Workforce Investment Act	446,761	420,491	-26,270	-5.9
National Emergency Grant Program	45,000	45,000	0	0.0
<b>Total</b>	<b>\$11,128,408</b>	<b>\$10,796,448</b>	<b>-\$331,960</b>	<b>-3.0</b>

\* 2006-07 amounts include a 10-percent buffer above the forecast

### **Major Budget Proposals**

**Benefit Program Adjustments.** The EDD budget reflects adjusted benefit expenditures in the current year and budget year. The adjustments are a result of recent benefit claim levels, and of the October 2006 forecast of future claims. The level of anticipated benefits for the Disability Insurance, Unemployment Insurance, and School Employee Programs are included in the above table. The Department will submit a revised forecast for benefit expenditures as part of the May Revision.

**Job Services Program Cut.** The Governor proposes a reduction of \$27.1 million (EDD Contingent Fund) and 271.0 positions to the Job Services Program. This proposal would benefit the General Fund, because the \$27.1 million saved would be transferred to the General Fund. Job Services would continue at a reduced level utilizing \$153.1 million in federal funds and reimbursements.

**Tax Sharing Ratio Change.** The EDD collects employer-based taxes including Unemployment Insurance, Disability Insurance, Employment Training Fund, and personal income tax withholdings (General Fund). The Administration proposes to realign EDD's funding so that each fund would pay its "fair share" of tax collection costs. This proposal would result in a net-zero change in EDD expenditures, but would increase General Fund costs by \$13.5 million (and reduce the cost to other funds by the same amount).

**Employment Training Panel.** The proposed budget continues the practice of transferring Employment Training Panel (ETP) funds to the Department of Social Services for CalWORKs employment training programs. This transfer produces a General Fund savings of the same amount. This year's CalWORKs transfer is proposed at \$35 million – up by \$15 million. The amount of ETP funds used for CalWORKs has varied over the years, but last year the Legislature reduced the amount by \$12.9 million, to \$20.0 million. Despite the shift to CalWORKs, sufficient funds are available to maintain the current level of Employment Training Panel expenditures – about \$54 million.

## 7120 California Workforce Investment Board

The federal Workforce Investment Act of 1998 established new requirements for employment and training programs for adults, youth, and dislocated workers, and resulted in the creation of the California Workforce Investment Board. The Board is tasked with transforming workforce development programs into an integrated workforce investment system that can better respond to the employment, training, and education needs of its customers.

The Governor proposes \$4.4 million (federal funds and reimbursements) and 20.9 positions for the Board's budget – a decrease of \$428,000 and no change in positions. The reduction is due to baseline reductions - the Administration did not submit any budget change proposals for the Board.

## 7350 Department of Industrial Relations

The objective of the Department of Industrial Relations (DIR) is to protect the workforce in California; improve working conditions; and advance opportunities for profitable employment. The Department enforces workers' compensation insurance laws and adjudicates workers' compensation insurance claims; works to prevent industrial injuries and deaths; promulgates and enforces laws relating to wages, hours, and conditions of employment; promotes apprenticeship and other on-the-job training; assists in negotiations with parties in dispute when a work stoppage is threatened; and analyzes and disseminates statistics which measure the condition of labor in the state.

The Governor proposes \$384.5 million (\$68.2 million General Fund) and 2,739.0 positions, an increase of \$21.8 million (6.0 percent) and 31.9 positions.

<b>Expenditures by Program</b> (dollars in thousands)	2006-07	2007-08	\$ Change	% Change
Self-Insurance Plans	\$3,731	\$3,778	\$47	1.3
Mediation/Conciliation	2,358	2,359	1	0.0
Workers' Compensation	166,474	179,024	12,550	7.5
Commission on Health and Safety and Workers' Compensation	3,132	3,080	-52	-1.7
Division of Occupational Safety and Health	89,509	96,652	7,143	8.0
Division of Labor Standards Enforcement	48,909	50,382	1,473	3.0
Division of Apprenticeship Standards	10,478	11,207	729	7.0
Division of Labor Statistics and Research	4,008	3,904	-104	-2.6
Claims, Wages, and Contingencies	34,132	34,132	0	0.0
Administration	30,205	31,366	1,161	3.8
Distributed Administration	(30,205)	(31,366)	-1,161	0.0
<b>Total</b>	<b>\$362,731</b>	<b>\$384,518</b>	<b>\$21,787</b>	<b>6.0</b>

**Major Budget Proposals**

**Elevator Program, Plan Checking Unit Augmentation.** The Governor proposes to augment the Department's budget by \$1.9 million (special fund) and 16.0 positions to establish an elevator plan checking unit. This augmentation would allow DIR to comply with the requirements of Labor Code Section 7301.1, which mandates that on or after June 30, 2003, no conveyances are to be erected, constructed, installed, or materially altered unless a pre-work permit was obtained from the Division of Occupational Safety and Health.

**Re-Fund the Industrial Welfare Commission.** The Governor requests an augmentation of \$449,000 (General Fund) and 3.0 positions to restore funding and staff to the Industrial Welfare Commission (IWC). In 2004-05, the Legislature eliminated all funding for the IWC; however, the statutory responsibilities of the IWC were not amended. Among other responsibilities, the IWC is required to conduct a full review of the adequacy of the minimum wage at least once every two years. The Administration indicates the General Fund cost of this proposal is offset by General Fund savings in another DIR budget proposal.

**Additional Funding for the Electronic Adjudication Management System.** The Governor requests an increase of \$11.8 million (special fund) in multi-year funding for the Electronic Adjudication Management System (EAMS). The project was originally approved by the Legislature in 2004-05 with an anticipated cost of \$24.0 million. In October 2006, the Administration submitted a Section 11.00 letter to the Joint Legislative Budget Committee indicating a new project cost of \$35.8 million; and DIR has since entered into a contract with a vendor to implement the system. According to the Administration, the system will provide for a cost-efficient electronic adjudication management system to improve services provided by the Division of Workers' Compensation and the Workers' Compensation Appeals Board.